

ONE HUNDRED SEVENTH LEGISLATURE - SECOND SESSION - 2022
COMMITTEE STATEMENT
LB984

Hearing Date: Wednesday February 23, 2022
Committee On: Revenue
Introducer: Moser
One Liner: Change sales and use tax collection fees

Roll Call Vote - Final Committee Action:

Advanced to General File with amendment(s)

Vote Results:

Aye: 8 Senators Albrecht, Bostar, Flood, Briese, Friesen, Lindstrom, Linehan, Pahls

Nay:

Absent:

Present Not Voting:

Oral Testimony:

Proponents:

Senator Mike Moser
Rich Otto

Brent Lindner

Ansley Fellers

Bob Hallstrom

Representing:

Introducer

Nebraska Retail Federation, Nebraska Hospitality Association, Nebraska New Car & Truck Dealers Association

The Ohana Hospitality Group, 2nd VP of the Nebraska Restaurant Association

Nebraska Grocery Industry Association, Petroleum Marketers, LIBA, State Chamber, Columbus Chamber

National Federation of Independent Business, Nebraska Pharmacist Association

Opponents:

Christy Abraham

Representing:

League of Nebraska Municipalities

Neutral:

Representing:

Summary of purpose and/or changes:

LB984 would reinstate the collection fee for persons who are designated or required to collect and remit the sales and use tax.

Prior to 2002, retailers were allowed to retain 2.5% of the first \$3,000 of taxes remitted each month and .5% of the amounts in excess of \$3,000. The retailers' collection fee was amended in October 2002 to limit the fee to 2.5% of the first \$3,000 of taxes remitted each month.

The bill would increase the percentage to 6% of the first \$3,000 of taxes remitted each month.

Explanation of amendments:

The following bills were amended into LB984 as amended:

- LB881
- LB941
- LB1209

The amendment to LB984 sets the vendor discount fee at 3% of the first \$5,000 in sales tax collected and remitted. This equals \$150 per month per location in Nebraska.

LB881 was heard on February 25, 2022, at 1:30 PM in Room 1524.

Testifiers

Proponents:

- Senator Terrell McKinney; Introducer
- Scout Richters; ACLU - Nebraska
- Aryn Huck; OutNebraska

Opponents: NONE

Neutral:

- Jon Cannon; NACO

Summary for LB881:

LB881 will exempt feminine hygiene products from sales and use tax. Feminine hygiene products are defined as:

Tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle but does not include grooming and hygiene products.

Grooming and hygiene products are defined as soaps and cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and sun tan lotions and screens, regardless of whether the items meet the definition of over-the-counter drug in section 77-2704.09.

This definition is consistent with the Streamlined Sales Tax Agreement definition of the term.

LB881 will provide that any female prisoner in a detention facility that needs a feminine hygiene product will receive the feminine hygiene product free of charge.

Detention facility means any facility operated by the Department of Correctional Services, a city or county jail, juvenile detention facility or staff secure juvenile facility as such terms are defined in section 83-4,125, or any other entity or institution operated by the state, a political subdivision, or a combination of political subdivisions for the careful keeping or rehabilitative needs of prisoners or detainees.

Prisoner means any adult or juvenile incarcerated or detained in any detention facility and includes, but is not limited to, any adult or juvenile who is accused of, convicted of, sentenced for, or adjudicated for violations of criminal law or the terms and conditions of parole, probation, pretrial release, post-release supervision, or a diversionary program.

The bill has an operative date of October 1, 2022.

The Committee voted to amend LB881 into LB984.

7 Yes - Linehan, Lindstrom, Albrecht, Bostar, Briese, Flood, Pahls

1 No - Friesen

LB941 was heard on February 25, 2022, at 1:30 PM in Room 1524.

Testifiers

Proponents:

- Senator Julie Slama; Introducer

- Lavon Heidemann; Nebraska Cattlemen, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska Soybean Association

Opponents: NONE

Neutral: NONE

Summary for LB941:

LB941 exempts net wrap purchased for use in commercial agriculture from sales tax. Net wrap is defined to mean plastic wrap used in the baling of hay.

The bill has an operative date of October 1, 2022.

The Committee voted to amend LB941 into LB984.

7 Yes - Linehan, Lindstrom, Albrecht, Bostar, Briese, Flood, Friesen

1 No - Pahls

LB1209 was heard on February 25, 2022, at 1:30 PM in Room 1524.

Testifiers

Proponents:

- Senator Lou Ann Linehan; Introducer

- Shana Dahlgren; KAAPA Ethanol Holdings, LLC

- Dawn Caldwell; Renewable Fuels Nebraska

- Stacy Watson; Nebraska Chamber, Greater Omaha Chamber, Lincoln Chamber of Commerce

Opponents: NONE

Neutral: NONE

Summary for LB1209:

LB1209 addresses an unintended consequence of Nebraska's contractor laws.

Contractors must select an option -- 1, 2 or 3 -- for sales and use tax purposes:

Option 1 -- Treated like other retailers; makes purchases tax free as a sales for resale and then collects sales tax from customers;

Option 2 -- Treated as the consumer of all materials therefore must pay sales tax at time of purchase;

Option 3 -- Treated as the consumer of all materials; makes purchases tax free and then remits use tax as materials are pulled from inventory and used for a project.

The unintended consequence is when a manufacturer purchases new machinery or equipment from an Option 2 contractor. The contractor must pay sales tax on the machinery or equipment when purchased and there is no method for the manufacturer to obtain a refund, even though the manufacturing machinery and equipment is exempt from sales tax.

This problem does not exist if the contractor is registered under Option1 or Option 3 because they may purchase the equipment tax free.

LB1209 creates a Purchasing Agent Authorization for manufacturers. They may issue a PAA to the contractor so that the equipment may be purchased tax free.

Nebraska has a similar program for nonprofit organizations and for taxpayers who qualify under the tax incentive programs. In both cases, the ultimate consumer may appoint a contractor to stand in their shoes and utilize the exemption as if the exempt entity were making the purchase directly.

The Committee voted to amend LB1209 into LB984.

8 Yes - Linehan, Lindstrom, Albrecht, Bostar, Briese, Flood, Friesen, Pahls

Lou Ann Linehan, Chairperson